Institute for Supply Management™

Official Position Statement

SUPPLY MANAGEMENT INPUT

CRITICAL TO BUSINESS SUCCESS

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Because of the important impact of supply management on business results, the top supply management professional should be recognized as a key source of input and included in the overall business strategy development.

Purchasing is still at the core of supply management. However, new and evolving roles are being called for to meet the need for a more strategic approach to the role within business and the increasingly competitive environment. Strategic supply management provides that "edge." It is estimated that 50% to 70% of an organization's total cost comes from external purchase of goods and services.

The efficient flow of materials, supplies, and services at the right time and place streamlines the process and can significantly reduce cost.

Supply management professionals track trends in the marketplace and fluctuations in the pricing and availability of materials and services. They also identify alternative sources for supply and are in a better position to negotiate the most effective relationships with suppliers.

In the more strategic role, the top supply management professional must be in a position to identify new opportunities and seek supply options at an early stage in the process in order to most effectively impact the strategic development of a product or service and have the greatest ultimate impact on the bottom line as a result of strategic relationships and cost saving materials and methods.

Definitions:

Supply Management – the identification, acquisition, access, positioning, and management of resources the organization needs or potentially needs in the attainment of its strategic objectives. Other key components of supply management are disposition, distribution, inventory control, logistics, materials management, packaging, product or service development, procurement, quality management, receiving, transportation and shipping, and warehousing.

Access – gaining use or potential use of something of value. This is often a search and interpretation role for potential suppliers, potential supply methods and services, and technologies that could be competitively used by the organization rather than have them go to competitors. It also means accessing resources and assets available in the market that the organization either does not have or does not want to invest into in order to use them.

Acquisition – the act of obtaining which is much broader than buying. It includes identifying and creating strategies for seeking and using sources. It means developing appropriate relationships, acquisitioning methods and chain processes that range from traditional buying to that of enabling others in the organization to develop and manage the process efficiently and effectively. It further extends to the creation and leadership role of very broad organization-to-organization interactions (inside and outside the organization).

Disposition – the act of removing fixed assets and/or inventory items from an organization's premises.

Distribution – activities and planning required to move product or service from the end of production line or point of final development to the customer.

Identification – identifying opportunities in the market place, whether they are new materials, new technologies, unknown suppliers, or even different paradigms for creating the organization's products and services.

Inventory control – the management of inventories, including decisions about which items to stock at each location; how much stock to keep on hand at various levels or operation; when to buy; how much to buy; controlling pilferage and damage; and managing shortages and backorders.

Logistics – the process of planning, implementing, and controlling the efficient, cost-effective flow and storage of raw materials, in-process inventory, finished goods, and related information from point of origin to point of consumption for the purpose of conforming to customer requirements.

Management of resources – by applying a single point of view across many departments and corporate boundaries, costs, prices, systems and processes can be better managed leading to improved business performance.

Materials management – a managerial and organizational approach used to integrate the supply management functions in an organization. It involves the planning, acquisition, flow, and distribution of production materials from the raw material state to the finished product. Activities include procurement, inventory management, receiving, stores and warehousing, in-plant materials handling, production planning and control, traffic, and surplus and salvage.

Packaging – materials designed and used for production protection and/or consumer marketing appeal.

Positioning – positioning the organization for marketplace competitive advantage is a key strategic activity today. Like that of marketing and sales personnel who attempt to position the organization competitively in the demand marketplace, a mirror role is also needed on the supply side using macro- and micro-level marketplace intelligence, and innovation access. This is a greatly enhanced role from that of narrow supply base assessment, buying, and supplier management. Instead, this includes the leadership and management of suppliers and extends to that of positively positioning the organization favorably in the market.

Procurement – the function that includes specification development, value analysis, supplier market research, negotiation, buying activities, contract administration, inventory control, traffic, receiving, and stores.

Product/Service Development – functions and processes designed to create and bring products and services to market.

Receiving – the function responsible for verifying that the goods received are the goods the organization ordered.

Traffic – activity that controls buying, scheduling, auditing, and billing of common and contract carriers.

Warehousing – place used for the reception and storage of goods.